

Integrating Risk and Strategic Management



Current Plans...

...tell us how we'll accomplish our vision in our current environment.

But the world is not staying the same.

Constant Change in our World

- In general, and in the transportation world:
 - Technologically
 - Culturally
 - Politically
 - Economically
 - Environmentally
- Risk Management looks at these changes to see what could help or hinder us at accomplishing our mission.
- Strategic Management provides the framework for how we address our risks.

Course Corrections

- Reaching a destination necessitates frequent “course corrections”
- NASA will even tell you that their rockets are “off-course” over 90% of the time; it’s the frequent corrections that get them to their destinations





Investment Mentality

- Annual reviews of SMPs
- Risk assessments with a planning mentality rather than a reactive one
- Spend our time installing fire sprinklers instead of putting out fires

How These Functions Fit Together

Mission

The unique thing that our organization exists to do

Risk Management

Assesses current environment (Opportunities and Threats that will help or hinder achieving our **Mission**)

Strategic Management

Considers priority risks and defines major steps to address them (**Goals**), what success looks like (**Performance Measures**), and the Actions necessary to get there. It also states the final destination (**Vision**) and what we'll be like as we pursue that (**Core Values**)

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Enterprise Risk Management (ERM)

What are Risks?

“The effect of uncertainty on objectives”

Opportunity and Threat

Anything that could help or hinder us doing that thing we exist to do (Mission) or the Goals we've selected to accomplish it

Key Areas: **Operational**, Health and Safety, Fiscal, Political, Regulatory, Fraud, Litigation, Natural Environment

Why Manage Risks?



What's In it For You?

Improved decision-making

Team buy-in

C Y R

(Cover Your Reputation)



Risk Statements

Identify Uncertainty

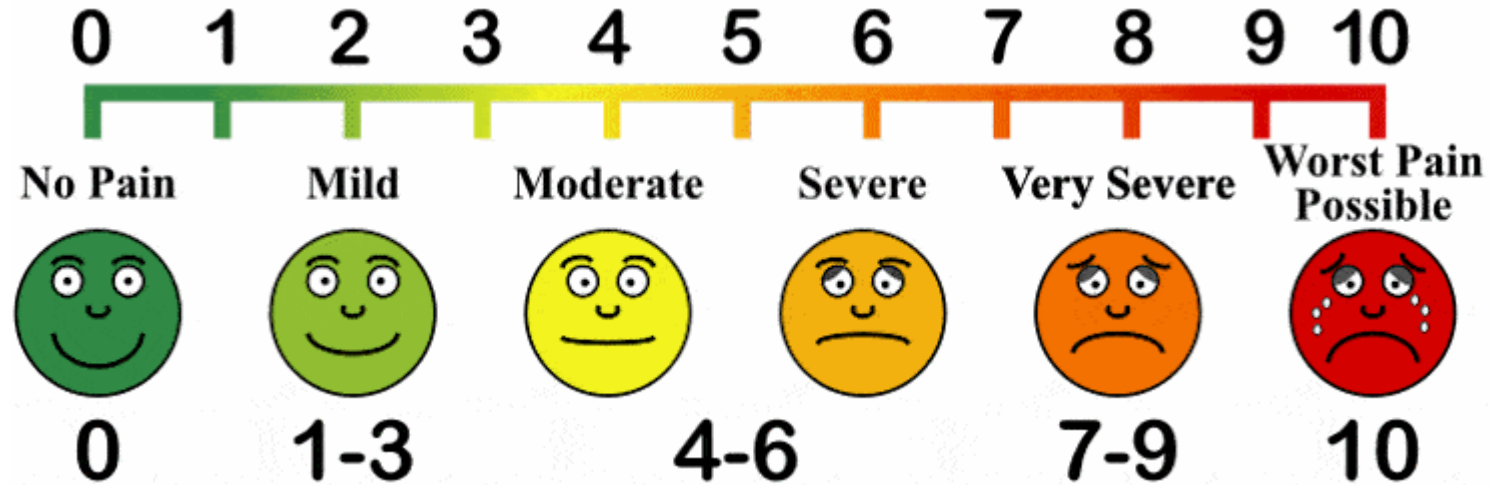
Cause and effect risk statement template

If event, then impact may occur.

When you know the trigger of the event use the following risk statement template

As a result of trigger, event may occur, which could lead to impact.

Mitigating Relativity



Risk Assessment: Scoring Risks

All risks are **not** equal

Use *likelihood* scale to represent the potential the event could occur

Use *impact* scale to represent the potential affect the event could have on the mission/goals

Use *velocity* scale to represent the level of urgency related to any potential risk response actions

Score	Risk Type Oppor- tunity (O)	Value	Description
1	O	Remote	The chance of the future event or events occurring is slight.
2	O	Unlikely	The event could possibly occur, but is unlikely at this time.
3	O	Possible	The event could occur under specific conditions and some of those conditions are currently evidenced.
4	O	Likely	The event is most likely to occur in most circumstances.
5	O	Expected	The event is expected to occur in most circumstances or is happening now.

Risk Prioritization

- Simple scale keeps discussions dynamic
- Mapping helps decision-making, doesn't make decisions for you
- Visuals useful for giving a sense of organizational context

Opportunities						Threats						
Impact	Transformative 5					D					Critical 5	Impact
	Major 4			A			C F				Major 4	
	Moderate 3			I B							Moderate 3	
	Minor 2		E						H		Minor 2	
	Insignificant 1						G				Insignificant 1	
	Remote 1	Unlikely 2	Possible 3	Likely 4	Expected 5	Expected 5	Likely 4	Possible 3	Unlikely 2	Remote 1		
Likelihood						Likelihood						

Risk Response: General Approaches

For Opportunities	For Threats
Exploit: Eliminate factors to ensure the opportunity happens. Often used for high impact high likelihood opportunities.	Avoid: Remove the cause of the risk, or complete the project in an alternative way that avoids the risk completely.
Share: Share the risk ownership with a third party that is capable of realizing the opportunity. When the benefits of the opportunity are realized you and the third party share them.	Transfer: Transfer the risk management and liability to a third party. This usually involves paying a premium, example: insurance.
Enhance: Modify the response taken to increase either the likelihood and or impact of the opportunity.	Mitigate: Reduce either the likelihood and or impact of the risk. Early action is taken to get the risk rating into the tolerable range.
Accept: This response is used when the other responses are not practical or possible. A contingency plan can be created to address the risk and monitor the context should changes occur.	

Risk Response: Creating Response Plans and Accountability

As with all accountability-infused plans, risk response plans need to include:

- **Who**
- Does **What**
- By **When**
- And include a system or timing for **Follow Up**, which may overlap with strategic planning actions and performance measures.



Documentation: Risk Register

Risk register records the risk management process, enabling better:

- Communication
- Monitoring and Tracking
- Succession Planning

Risk Statement	Likelihood (L) 1-5	Impact (I) 1-5	Ranking (R) $L \times I = R$	Risk Response Plan	Monitor
If _____ occurs, then ____ may happen.	Low/1	High/4	$1 \times 4 = 4$	Actions to prevent or enhance risks	Actions to reduce impact of realized risks

Reporting Risks

- Quantify the risk as best you can from your perspective using the resources and templates provided here or on our website
- Determine the level of the risk
 - Enterprise
 - Program/District
 - Project
 - Activity
- Share the risk with your management team
- Share the risk with us

Strategic Management

Strategic Management Definitions

Mission: What we exist to do

Vision: A compelling image of the desired future state

Goals: The major steps to achieve the Vision

Core Values: The most important principles, philosophies, and attributes we will have as we carry out the Mission

Performance Measures: What success looks like, the benchmarks we need to meet to achieve the Goals



Caltrans®

Strategic Management Plan

2015-2020



Mission

Provide a safe, sustainable, integrated and efficient transportation system
to enhance California's economy and livability

Vision

A performance-driven, transparent and accountable organization that values its people, resources
and partners, and meets new challenges through leadership, innovation and teamwork

Goals

Safety and Health

Provide a safe transportation system for workers and users, and
promote health through active transportation and reduced pollution in communities.

Stewardship and Efficiency

Money counts. Responsibly manage California's transportation-related assets.

Sustainability, Livability and Economy

Make long-lasting, smart mobility decisions that improve the environment,
support a vibrant economy, and build communities, not sprawl.

System Performance

Utilize leadership, collaboration and strategic partnerships to develop an integrated
transportation system that provides reliable and accessible mobility for travelers.

Organizational Excellence

Be a national leader in delivering quality service through excellent
employee performance, public communication, and accountability.

Values

Integrity • Commitment • Teamwork • Innovation

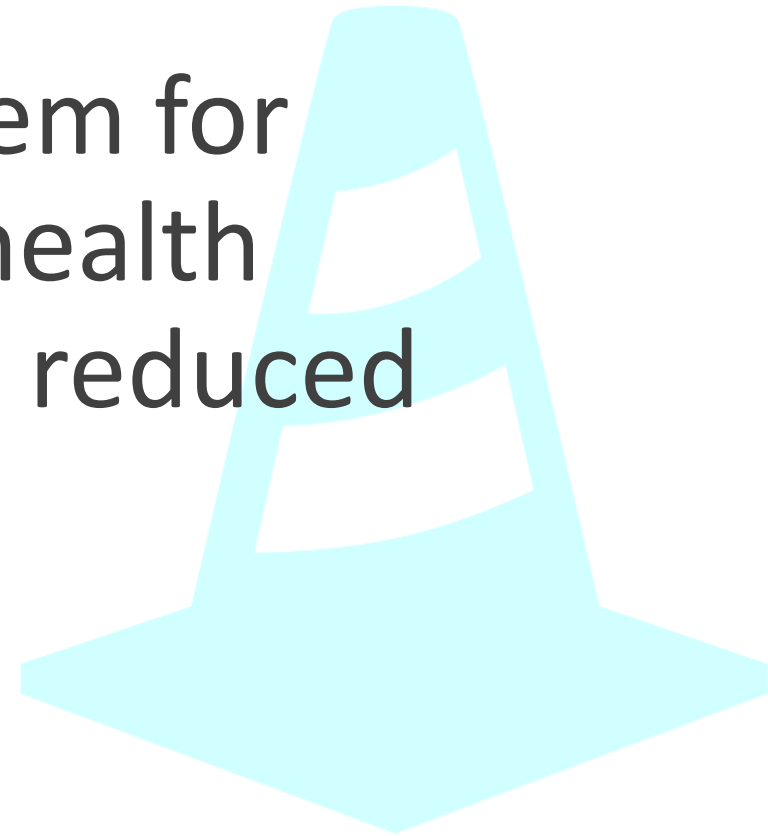
Strategic Management

Every Caltrans employee should be able to identify:

- Their District/Program/Division/Unit's Strategic Direction, their connection to it, and its connection to Caltrans' Strategic Plan
- Their unit's contribution to Caltrans' Strategic Plan
- Their individual contribution to Caltrans' Strategic Plan

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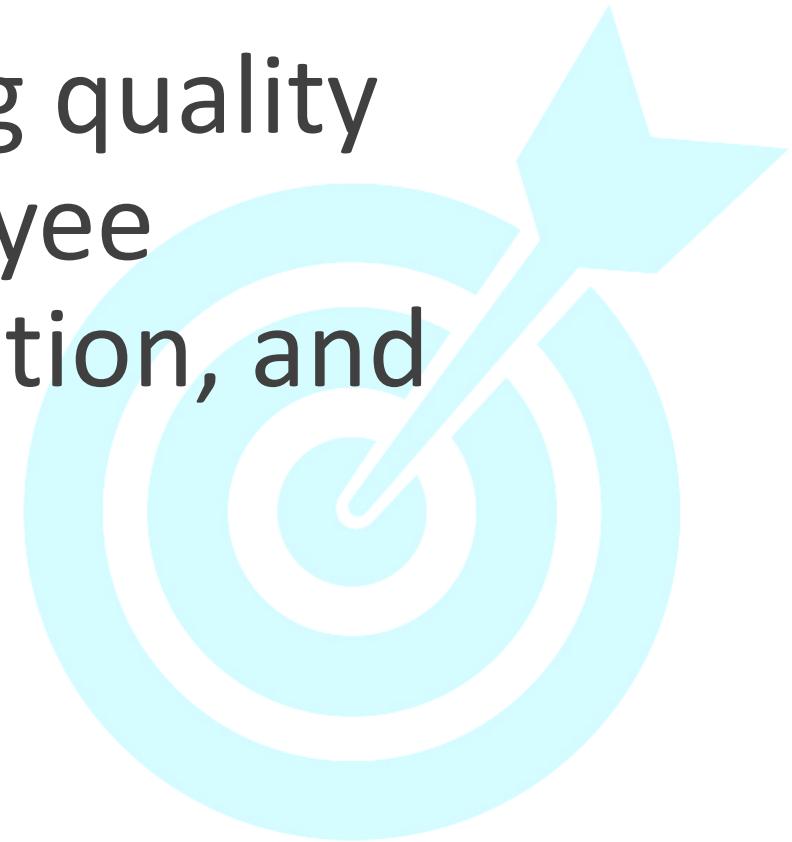
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Organizational Excellence

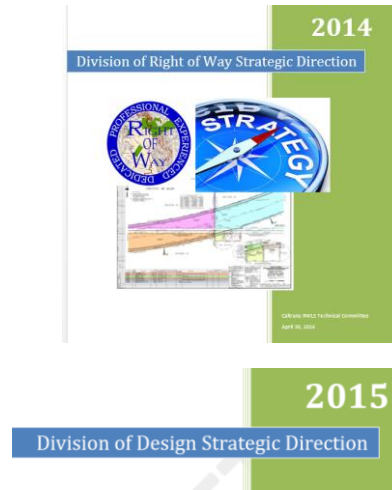
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Strategic Direction

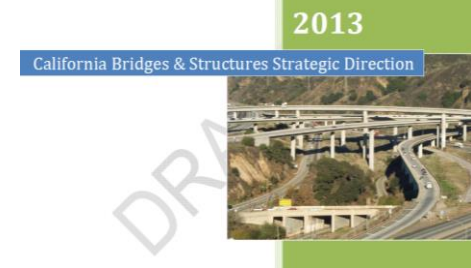
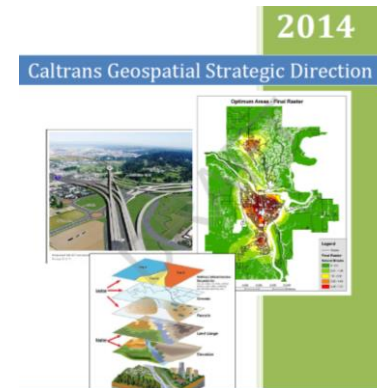
How Programs/Division met Caltrans Goal

Shows Transparency, Unity, Intentionality
around Planning



HQ Project Delivery
Strategic Direction

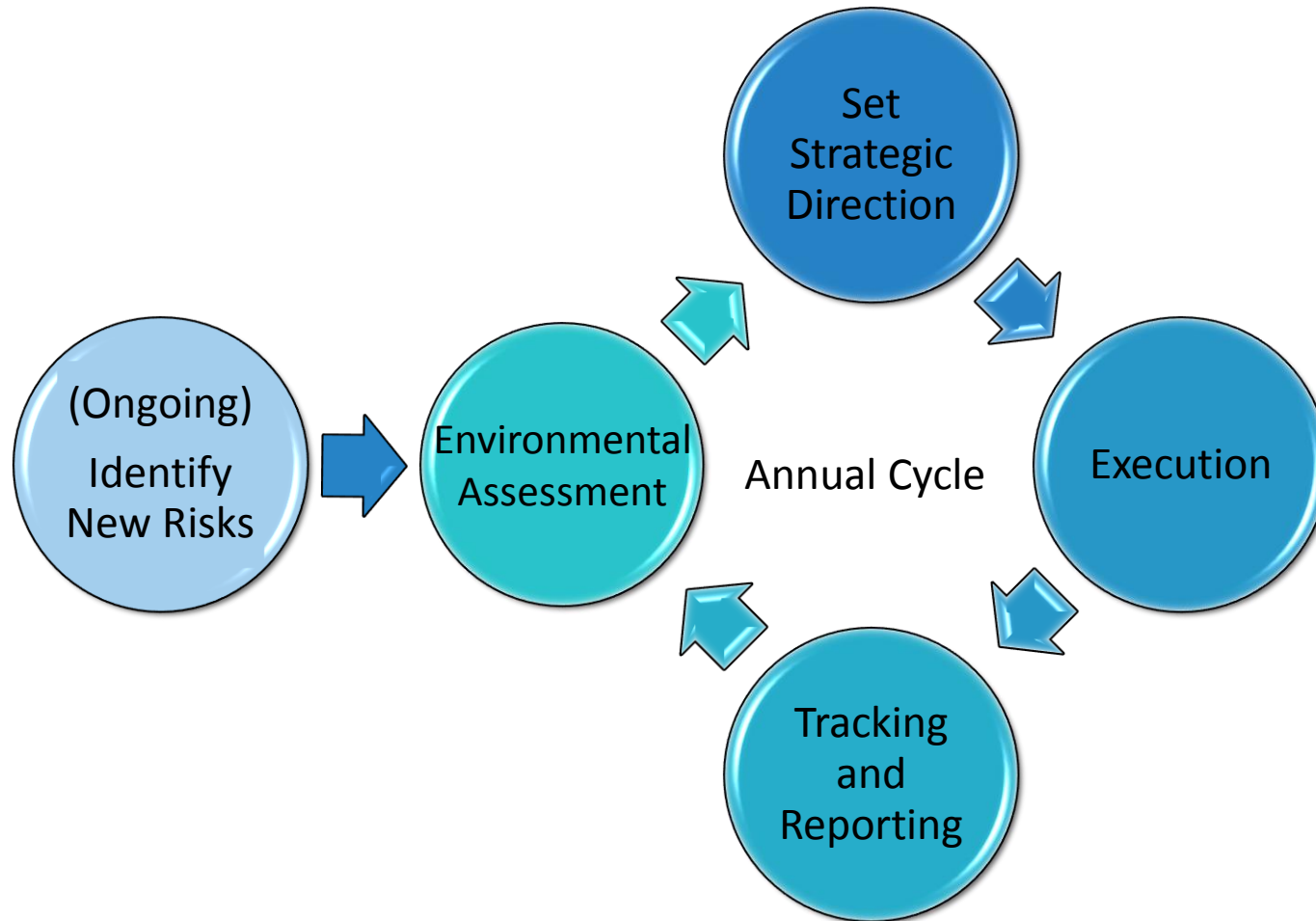
OCTOBER 2015





Integration

Adapting a Strategic Management Plan to Emerging Risks and Context Changes



- SWOT shifting to Risk Management
 - Detailed Assessment
 - Prioritization

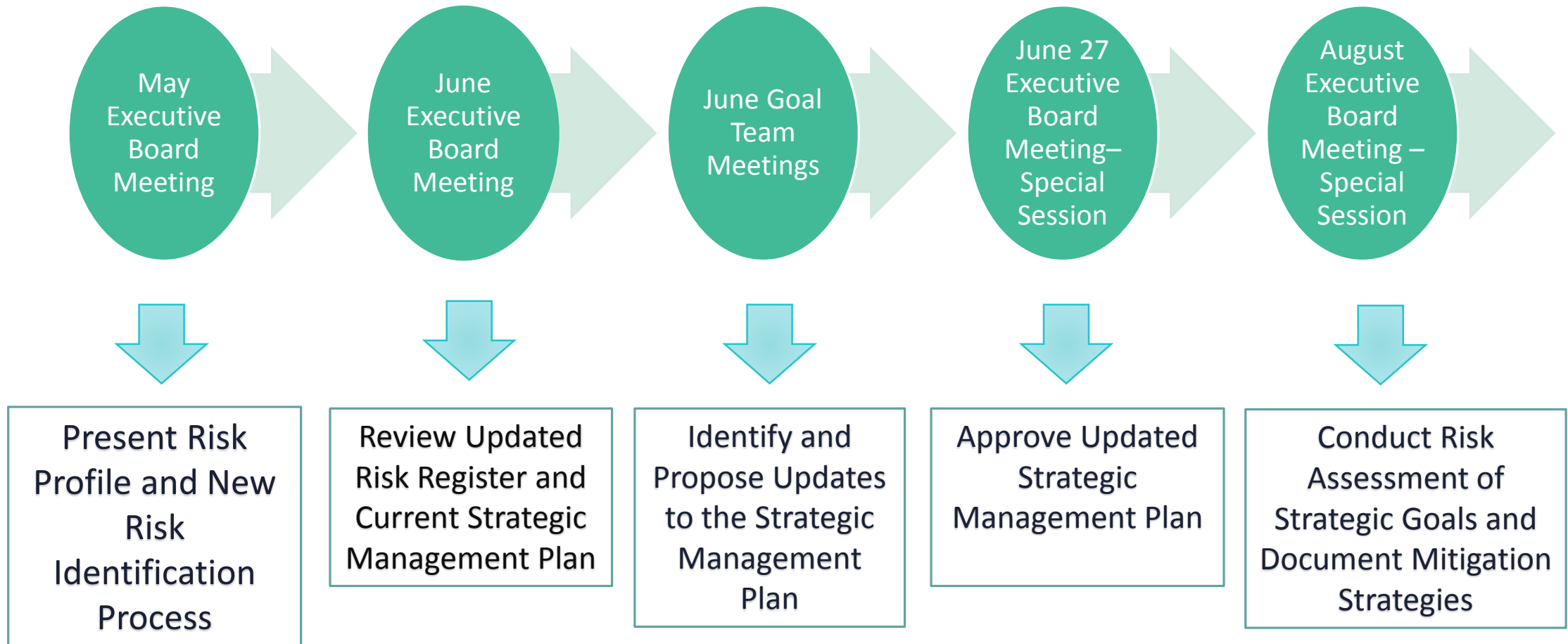
Some Major Risks at Caltrans that fed into the SMP Update

- Asset Management
- Workforce and Succession Planning
- Innovation Systems
- Legacy IT Systems
- Climate Change Adaptation
- Coordinated SB1 Strategy
- State Innovation Leadership

Enterprise Risks Can Dramatically Change a Strategic Plan



Timeline



2017 Update to the Strategic Management Plan

- Annual Update, same Plan
- Performance Measures changed
- Quarterly Reporting of accomplishments and changes to increase:
 - Transparency
 - Accountability
 - Awareness

Awareness and Action

All of us should be aware of, and act in line with:

- Caltrans Goals and Core Values
- Risks that could help/hinder those